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REPORT ON LIAONING 1957 FINAL

ACCOUNTS AND 1958 BUDGET

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(2 December 1958)

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Delegates:

The following is a report on Liaoning 1957 final accounts and 1958 budget for your discussion.

I. Liaoning 1957 Local Final Accounts

Ever since the passing of the 1957 local budget for Liaoning Province at the Sixth Session of the First Provincial People's Congress, work in various economic sectors has made great progress and the local budget for Liaoning Province has achieved good results. This is the result of the correct leadership of the State Council and the Provincial Party Committee, the hard work of the people throughout the province, the intensive movement of increasing production and practicing economy, the victorious execution of the all-people rectification and anti-rightist campaign, and the unprecedented elevation of the socialist consciousness of the workers in the province.

In 1957, provincial revenue was budgeted at 466,510,000 yuan while actual receipts amounted to 530,540,000 yuan. This was an increase of 64,030,000 yuan or 13.72 percent over the budgeted figure, or 14.92 percent over the corresponding figure in 1956. Provincial expenditure was budgeted at 394,180,000 yuan, but actual disbursements amounted to 406,440,000

yuan, an increase of 3.11 percent over the budgeted figure and exceeding it by 12,260,000 yuan. Funds transferred to the central government amounted to 51,810,000 yuan. The balance of revenue over expenditure stood at 72,290,000 yuan.

#### Revenues:

The revenue from various taxes was budgeted at 129,060,000 yuan but actual receipts amounted to 133,530,000 yuan, or an increase of 3.45 percent over the budgeted figure. The revenue from enterprises and undertakings was budgeted at 297,540,000 yuan but actual receipts amounted to 352,770,000 yuan, an increase of 18.56 percent over the budgeted figure.

The revenue from issuance of bonds was budgeted at 16,410,000 yuan but actual receipts amounted to 20,620,000 yuan, an increase of 25.65 percent over the budgeted figure. Other revenues were budgeted at 12,000,000 yuan while actual receipts amounted to 12,120,000 yuan, an increase of one percent over the budgeted figure. The revenue transferred from the 1956 budget stood at 11,500,000 yuan.

The revenue actually received in 1957 exceeded the budgeted figure by a large amount, of which the revenue from enterprises accounted for an excess of 55,230,000 yuan over the budgeted amount. The excess in receipts from enterprises was mainly because production surpassed the planned targets.

In industry, the value of local industry output in 1957 reached over 2,630,000,000 yuan, an increase of 9.11 percent over the budgeted figure or 12.6 percent over 1956 production. In agriculture, despite the fact that Liaoning Province suffered the most serious drought, in thirty years which resulted in non-fulfillment of the planned target for grain production, grain output in 1957 still reached 6,700,000 tons, and the value of agricultural and subsidiary products reached more than 1,980,000,000 yuan.

The actual performance of local communication enterprises also registered an over-fulfillment of planned targets with freight traffic surpassing the planned figure by 26.5 percent and passenger traffic

surpassing the planned figure by 15.5 percent. The volume handled by the building industry exceeded the planned target by 26.7 percent, while the value of social retail sales reached 126,000,000 yuan, exceeding the budgeted figure by 2.3 percent.

Moreover, production costs of the various enterprises were lower than those budgeted. The cost of local state jointly operated industry was reduced by 1.56 percent from the budgeted figure, or by 4.46 percent from the corresponding figure in 1956.

The cost of public-private jointly operated industry was lowered by five percent from the budgeted figure, or by 11.43 percent from the corresponding figure in 1956. Because of the excess of output and reduction of cost compared with the planned amounts, capital accumulation also surpassed the budgeted figure.

The expansion of production and commodity flow brought additional revenue from taxes and a higher percentage of tax receipts in total revenue than had been budgeted. The bonds issued in 1957 were also oversubscribed. The call for "diligence and thrift in constructing the nation" and "diligence and thrift in managing households" received hearty support from the masses.

As a result, people of all walks of life manifested high enthusiasm in bond subscriptions, and subscriptions surpassed the planned target. Particularly worth mentioning is the subscription to bonds by the peasants. Because of the penetration and extension of socialist great debate in rural areas during 1957, and the resultant rapid elevation of peasants' political consciousness, bond subscriptions overfulfilled the plan by 27.1 percent.

#### Expenditures:

Expenditure for economic construction was budgeted at 118,500,000 yuan, but actual spending amounted to 129,520,000 yuan, an increase of 9.3 percent. The expenditure for social, cultural, and educational undertakings was budgeted at 171,610,000 yuan, but actual spending amounted to 177,240,000 yuan, 3.28 percent over the budgeted level.

The expenditure for administrative operations was budgeted at 98,420,000 yuan, while actual spending

amounted to 96,220,000 yuan, a decrease of 2.24 percent. Other budgeted expenditures stood at 1,700,000 yuan, but actual disbursements increased by 103.50 percent to 3,460,000 yuan.

The main features pertaining to the execution of the 1957 budget for expenditures are: expenditure for economic construction exceeded the budgeted amount by 11,020,000 yuan; expenditure for social, cultural, and educational undertakings exceeded the budgeted amount by 5,630,000 yuan; and administrative expenditure was reduced by 2,200,000 yuan from the budgeted amount.

This is mainly a result of the fact that, in the course of executing the budget, the State Council instructed the provincial government that the balance of funds from 1956 could be transferred to the 1957 budget for utilization and because, at the same time, provincial, hsien and municipal authorities made arrangements to conduct additional construction projects costing about 30,000,000 yuan.

With a view to reducing non-productive expenditures as much as possible, the budgeted amount of administrative expenditure was lower than that in 1956. In addition, actual spending for administrative affairs further decreased by 2,200,000 yuan from the planned amount.

As a result of the execution of the 1957 budget, meeting the financial needs arising from the development of different local construction projects was essentially ensured. The planned construction targets prescribed at the beginning of 1957 were over-fulfilled. For instance, in the field of industry, the investment originally planned was 37,810,000 yuan, but actual investment amounted to 47,890,000 yuan.

With the completion of such investment, the total value of productive capacity will increase by 90 million yuan after installing some new equipment and making repairs.

Investment in agriculture, forestry, and local communications also showed increases over the budgeted figures. As for cultural, educational and health undertakings, the enrollment of students in public primary schools at the end of 1957 was 110,000 more than at the beginning of 1957; the enrollment of students in public middle schools increased by 18,000 during the same period; and the number of hospital beds increased by 1,984 during the same period.

In reviewing the results of the execution of the 1957 budget, we may discern that both revenue and expenditure surpassed the budgeted amounts but that the excess of expenditure was mainly employed in construction projects while administrative expenditure showed a decrease from the budgeted amount, thereby achieving over-fulfillment of various targets and tremendous development in local economic undertakings. There arose, however, some problems pertaining to the execution of the 1957 budget which should be given proper attention in the future.

At the beginning of 1957, when there was a tense situation in finance and resources, we made an inaccurate estimation of actual conditions and underestimated what was a large potential productive power, especially in the enthusiasm of workers towards production. This resulted in setting low targets in the budget.

Despite the fact that some problems were discovered in the course of carrying out the budget and arrangements made for increasing expenditures in some sectors during the second half of 1957, there was still a balance of 72,290,000 yuan at the end of the year. We could have spent additional tens of millions for the development of various construction projects.

The situation in the execution of the 1957 budget proves, as is pointed out by the central authorities, that all financial and economic work should without exception be subject to "political command." We should make adequate estimates of political influences and human factors and fully comprehend the significance of the workers' consciousness regarding revolution and construction under the new production relationship.

Without comprehending these factors, there will definitely arise a tendency to being entrapped in rightist conservatism, to curtail the consciousness of the masses, and to retard construction. This is a lesson deserving profound attention.

## II. 1958 Budget

1958 is the first year of the Second Five-Year Plan for construction in the nation. On the basis of a great victory in the rectification campaign, the broad working masses in the province, like their brethren in other parts in the nation, have presented an unprecedented communist heroic spirit and built up tremendous force in launching a great leap forward in productive construction.

Under these circumstances, the Central Committee of the Party calls upon the people to exert all efforts to press forward for "more, faster, better, and cheaper" construction according to the general line of socialist construction.

The general line reflects the desire of the people throughout the nation, clearly indicates the route and direction along which we march, stirs up the high spirit of the broad working masses, and enables industrial and agricultural production and various construction undertakings to achieve rapid development and so enter an era of great leap forward with results of "one day equivalent to twenty years."

Such a situation requires us to invest more funds in construction on the one hand, and create a favorable material condition for rapid capital accumulation on the other. Consequently, we should fully mobilize the masses to take all steps to accumulate construction capital, thereby promoting a still greater leap forward in productive construction.

The 1958 budget is prepared in the above-mentioned spirit through the integrated financial system from the central to provincial government, and under the condition of incessantly overcoming rightist, conservative ideology. It is, therefore, a budget responsible for enforcing the general line of socialist construction, a budget for supporting a great leap forward in production, and a budget for fully mobilizing the masses and all positive factors.

The total revenue in the 1958 budget is set at 796,610,000 yuan, an increase of 50.22 percent over the comparable 1957 figure. The total expenditure is also budgeted at 796,610,000 yuan, an increase of

81.94 percent over the corresponding figure for 1957. The total revenue and expenditure are in balance. The increase of revenue by over 50 percent and of expenditure by over 80 percent is unprecedented in the history of the province. The arrangements for various items are as follows:

#### Revenues:

The revenue from local taxes is budgeted at 75,410,000 yuan, increasing by 11.19 percent over the 1957 figure. The revenue from enterprises is budgeted at 561,760,000 yuan, an increase of 59.24 percent over the 1957 figure. Other revenues are budgeted at 12,850,000 yuan, an increase of 6.07 percent over the 1957 amount. The subsidy from the central government amounts to 74,300,000 yuan.

The balance transferred from last year amounts to 72,290,000 yuan. Among the local taxes, the revenue, from real estate taxes is to increase by 7.5 percent over the preceeding year, because of the continuous establishment of new industry and the extension of levies in four new districts since the second half of 1957. Stamp tax revenue will increase 13.27 percent over 1957. The revenue from other taxes will also show increases of varying degrees according to economic development.

Among enterprise revenues the revenue from industrial enterprises is budgeted at 464,880,000 yuan, an increase of 75.85 percent over 1957; the revenue from building enterprises is budgeted at 25,950,000 yuan, an increase of 169.18 percent over the 1957 amount; the revenue from local communication enterprises is budgeted at 12,400,000 yuan, an increase of 27.67 percent over 1957; the revenue from municipal public utilities is budgeted at 22,840,000 yuan, 5.98 percent over 1957; the revenue from cultural and educational undertakings is budgeted at 8,940,000 yuan and the revenue from marine products enterprises is budgeted at 3,320,000 yuan, both showing increases of varying degrees over 1957; the revenue from other enterprises is budgeted at 13,990,000 yuan, a decrease of 56.83 percent from the 1957 level; the revenue from various undertakings is budgeted at 9,440,000 yuan, 29.7 percent more than 1957.

The decline in the revenue from other enterprises is mainly because labor-reform enterprises have adopted a system of balancing expenditure with receipts. In 1958, the enlargement of investment resulted in reducing the amount of funds to be transferred to upper organizations. Based on comparable factors, even the revenue from other enterprises in fact shows a great increase.

The budgeted revenue from enterprises does not include the amount which is to be retained by enterprises in accordance with the reformed enterprise financial system. The proportion of revenue to be retained by enterprises is prescribed at 11 percent. This is a measure which took effect at the beginning of 1958 with the aim of expanding enterprises control of [their own] finances.

In 1958 the revenue from enterprises will show a greater increase than in any preceeding year. This is mainly because there has been a continuous leap forward in their output. The total value of local industrial production will increase by over 65 percent over 1957.

The gross value of agricultural and subsidiary products will increase by 49.6 percent over the 1957 level. The highway freight traffic handled by local communication enterprises will increase by 19 percent over 1957. The volume of construction undertaken by the building industry will increase by 31.6 percent over 1957. Following the leap forward in various productive enterprises, financial revenue will also increase.

Moreover, because of further enforcement of the policy of "diligence and thrift in carrying on enterprises" and because of the expansion of the technical revolution, the cost of production in various enterprises will be greatly reduced.

Compared with 1957, the cost of products in industrial enterprises will decrease by nine percent; the cost in communication enterprises will decline by 14 percent; and the cost in building industry will be down by about 20 percent. This is also an important factor in increasing capital accumulation.

The distribution of expenditures is budgeted as follows:

Expenditure for economic construction is budgeted at 495,110,000 yuan, 282.31 percent over the 1957 level and 62.15 percent of total expenditure. Expenditure for cultural and educational undertakings is budgeted at 179,740,000 yuan, 1.4 percent over 1957 and constituting 22.56 percent of the total expenditure.

Administrative expenditure is budgeted at 95,460,000 yuan, 0.79 lower than the 1957 amount and constituting 11.98 percent of the total expenditure. Other expenditures are budgeted at 5,860,000 yuan, an increase of 69.3 percent over 1957 and constituting 0.74 percent of the total expenditure. Reserves for contingency expenditure are budgeted at 20,440,000 yuan, constituting 2.75 percent of the total.

Some of the features of budgeted expenditure in 1958 are: a big increase in the expenditure for economic construction, a small increase in expenditure for cultural and educational undertakings, and a reduction in administrative expenditure.

In 1958, total expenditure will increase by 390,180,000 yuan while the expenditure for economic construction alone is to increase by 365,590,000 yuan, representing 93.7 percent of the total increase. Expenditure for cultural and educational undertakings is only to increase by 2,500,000 yuan while administrative expenditure will even decline by 760,000 yuan. Other expenditures will increase by 2,400,000 yuan.

Regarding the contents of expenditure, of the total expenditure the investment for capital construction is budgeted at 423,310,000 yuan, constituting 53.14 percent; additional working capital of enterprises amounts to 45,640,000 yuan; management expenditure amounts to 307,230,000 yuan; contingency reserves amount to 20,440,000 yuan. This reflects the requirement for increasing investment in production as much as possible so as to support and ensure the great leap forward in productive construction.

The arrangements for principal expenditure, items are as follows:

Among the various investments in capital construction, industrial investment is budgeted at 288,320,000 yuan, constituting 68.11 percent of the total and increasing by 5.6 times over the 1957 level. During the period of the First Five Year Plan, capital

accumulation from local industry in Liaoning Province amounted to 180,000,000 yuan.

Industrial investment in 1958 alone will exceed that in the last five years by 60 percent. Capital construction investment in agriculture, forestry, and water conservancy is budgeted at 61,770,000 yuan, constituting 14.59 percent of the total or 216.9 percent over 1957.

The budgeted amount only represents a part of investment in agriculture, forestry, and water conservancy, because agricultural investment relies mainly on human and material resources from the people's communes.

At the same time, there is a large proportion of industrial investment which is used for servicing agriculture, such as the supply of chemical fertilizers and the manufacturing of agricultural machines.

The investment in municipal public utilities (mainly water supply, sewage clearance, and roads) is budgeted at 36,260,000 yuan, representing 8.57 percent of the total capital investment or an increase of 61.94 percent over the 1957 level. The investment in local transportation, postal services, telecommunications, and other economic construction projects is budgeted at 11,480,000 yuan, representing 2.71 percent of the total capital investment or an increase of 60.7 percent over 1957.

The investment on social, cultural, and educational undertakings is budgeted at 23,390,000 yuan, constituting 5.52 percent of the total capital investment, or an increase of 3.86 percent over 1957. Administrative and other expenditures are budgeted at 2,100,000 yuan, constituting 0.5 percent of the total capital investment.

Working capital of enterprises is to increase by 45,640,000 yuan. This is budgeted in accordance with the regulations promulgated by the State Council pertaining to the reform in the financial structure. Only 30 percent of the total required amount is included in the local budget while the remaining 70 percent is to be supplied from bank loans.

Expenditure for management and administration is budgeted at 307,230,000 yuan, increasing by 26,850,000 yuan over the 1957 level. The increased expenditure is to be mainly employed on those disbursements directly related to production.

Expenditure for agriculture, forestry, and water conservancy alone, including disbursements for the extension of agricultural technology, animal husbandry, and afforestation as well as subsidies for small-scale agricultural, irrigation projects and other operation expenses will rise by 23,700,000 yuan, which is 88.3 percent of the total increase.

Expenditure for cultural and educational undertakings is to have a small increase amounting to 6,300,000 yuan. This does not mean that such undertakings will be least developed. In fact, the increase is based on the policy of "diligence and thrift in carrying on all undertakings" whereby more undertakings can be carried out with a limited amount of funds. For instance, "diligence in work and thrift at schools" and "diligence and thrift in operating schools" make possible a reduction in educational subsidies and lowers the amount of expenditure.

Taking another example, state-operated dramatic groups have changed their method for servicing the public. A dramatic group may be divided into several teams so as to make possible separate performances, develop the activity of individuals, and extensively organize the mass audience.

Medical institutions have generally adopted the three-shift clinic system and the establishment of simplified beds. Even in the field of social relief and assistance, a slogan of turning consumption into production and poverty into riches has been proposed, and social welfare productive undertakings have been widely organized so as to reduce subsidies from the state.

In the meantime, in the field of cultural and educational undertakings, the policy of simultaneous and private operation has been enforced. People's supported middle and primary schools, the anti-illiteracy movement, and health and cultural undertakings have made progress. In view of all these facts, despite the small increase in budgeted expenditure, the various undertakings have been making rapid development.

From the above-mentioned allocations we may discern that purposes of the 1958 budget are to realize a reduction in administrative expenditure, to curtail non-productive spending, and to increase productive investment, especially investment in industry and agri-

culture. This perfectly conform to the requirements of the general line of socialist construction and the great leap forward in production.

A rise in production, on the other hand, will increase revenues, and an increase in revenue will, in turn, hasten the development of production and construction.

Moreover, in order to better meet the need for funds in carrying out the great leap forward in production and construction, aside from the arrangements provided in the 1958 budget many other measures are being adopted to extensively mobilize the capital available outside of the budget.

Idle funds, retained profits, and unused resources kept by various enterprises, government organs, and people's associations are to be mobilized as much as possible.

The construction investment from such self-collected outside-of-budget capital amounts to 198,930,000 yuan. With this amount added to the budgeted capital of 423,310,000 yuan, the total capital investment in Liaoning will reach 622,240,000 yuan which surpasses the total investment of 617,000,000 yuan during the entire First Five-Year Plan.

After the preparation of the local budget was completed, the central government enterprises and undertakings, beginning in June, were increasingly decentralized.

Up to the present, 102 large industrial enterprises, 18 higher educational institutions (not including technical schools) and a number of commercial and marine products enterprises have been decentralized. The total investment for such decentralized enterprises and undertakings amounts to 356,950,000 yuan.

According to the regulations promulgated by the central government, for the sake of not violating the original budget classification the revenue from decentralized enterprises and undertakings in 1958 will still belong to the budget of the central government, while their expenditures will be controlled under the provincial budget.

To facilitate the examination of the local budget, the revenue and expenditure of decentralized enterprises and undertakings are not included with the

corresponding items in the local budget because the revenue of these units in 1958 belongs to the central government and capital investment was arranged by the various departments of the central government before the start of decentralization.

The 1958 budget has been in effect for eleven months. The execution in the first ten months revealed very encouraging results. As of 30 October, total revenue this year had reached 516,900,000 yuan, representing 79.52 percent of the budgeted figure.

Total expenditure had reached 630,630,000 yuan, representing 79.16 percent of the budgeted amount. Of the latter, capital construction investment had reached 334,420,000 yuan, representing 79 percent of the budgeted figure.

It is predicted that the 1958 budget will be over-fulfilled. Total revenue will reach 730,000,000 yuan and total expenditure will reach 873,000,000 yuan. Of the latter total investment on capital construction will reach 500,000,000 yuan.

The continuous increase in revenue has rendered strong support to the elevation of the iron and steel and machinery industries to a commanding position and to the great leap forward in production and construction.

In industrial production, the Party and the people have concentrated efforts in operating industry, and local industrial establishments have spread everywhere in the province. Apart from the industries established by the provincial, municipal, and hsien authorities, the factories and mines established by city street organizations and the rural people's communes alone reached more than 48,000 units with a total output value estimated to reach 420,000,000 yuan.

By the end of October the total value of local industrial production in Liaoning had reached 81 percent of the budgeted amount (not including decentralized enterprises), and is estimated to reach 5.6 billion yuan, an increase of 90 percent over the 1957 level.

In agricultural production, the total grain output will reach between 8.5 and 9 million tons, an increase of about 30 percent over 1957. Social retail sales will reach 3.4 billion yuan by the end of 1958, representing an increase of about 10 percent over 1957.

In the field of cultural and educational undertakings, because of the through enforcement of the policies of diligence and thrift in carrying on an undertakings, the policy of relying on the masses to carry on undertakings, and the policy of the combination of education and work, the schools of different levels in the province have operated 21,693 factories and workshops, 5,728 farms, and 572 retail shops through their own efforts without investment by the state.

At the present time, illiteracy has been basically eliminated among the youth in Liaoning Province. By the end of 1958, the enrollment of students in primary schools will reach 3,623,000, increasing by 586,000 over 1957. Of children of school age more than 95 percent are actually in school. The enrollment of students in middle schools will reach 762,400, increasing by over 246,000; the number of higher educational institutions will increase from 14 to 110 with an increase of 112 percent over 1957 in enrollment.

In the field of health, there have been good results in the work of eliminating the four pests. The number of beds for different kinds of medical care is to reach 40,558, an increase of about 13,000 over 1957. All these facts indicate good results in the execution of the 1958 budget and testify to the leap forward situation in various undertakings.

The good results in the execution of the 1958 budget and the emergence of a great leap forward situation mainly reflect a great victory in following the general line of socialist construction. Under the correct leadership of the Party, the financial work in the province has established the commanding position of politics, strengthened the production and mass viewpoints, effectuated reliance on the entire Party and people to deal with finances, and fully extended positive force in every kind of undertaking.

Moreover, so as to support the great leap forward in different kinds of construction undertakings, efforts have been made to further enforce the policies of "diligence and thrift in constructing the nation" and "diligence and thrift in carrying on undertakings," and also to exploit the tremendous potential power in various productive projects.

Following the great leap forward in production and construction projects, a profound change has occurred

in the thinking of the people. At the present time, the rural areas throughout the province have realized communalization. This is a very praiseworthy event in our political and economic life.

Indeed, the year 1958 has been an unusual year in which the rectification campaign has greatly elevated communist consciousness on the part of the people, eliminated superstition, liberated thoughts, and enabled us to enter an era of great leap forward with the results of "one day equivalent to twenty years."

In order to prepare for a still greater leap forward in 1959 the tasks to be carried out on all fronts during this winter and next spring will be very onerous. In the last month of 1958, we should fully mobilize the people in the province and make strenuous efforts to struggle for the victorious realization of the 1958 budget.

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